

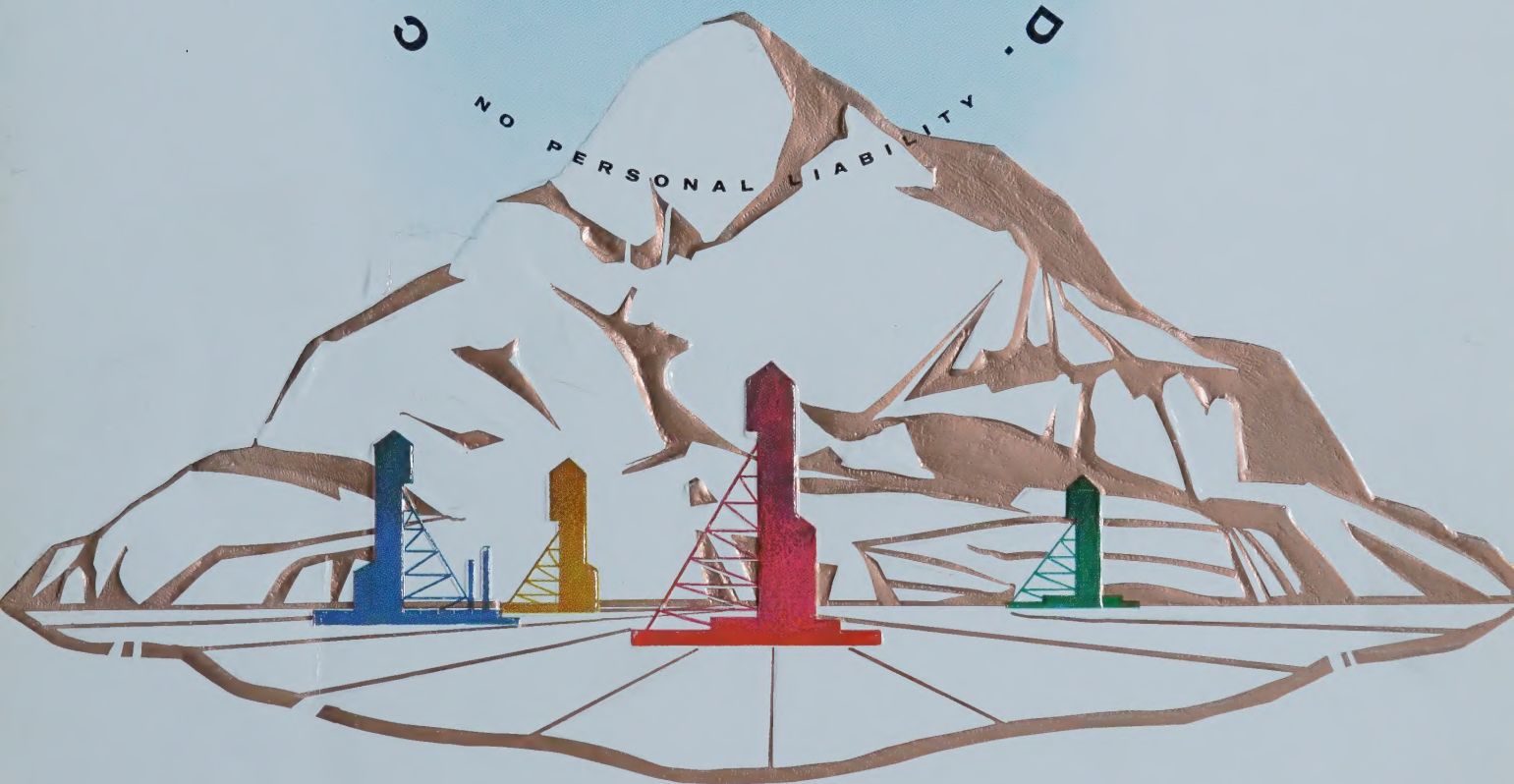
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John Doherty

CAMPBELL CHIBOUGAMAU MINES LTD.

annual
report

NO PERSONAL LIABILITY



FOR THE YEAR ENDED JUNE 30

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The Directors of . . .

CAMPBELL CHIBOUGAMAU MINES LTD.

*are pleased to present this . . . their Annual
Report to the shareholders for the year
ended June 30th, 1966.*

*Annual Meeting
October 26th, 1966
Montreal, Quebec*

CAMPBELL CHIBOUGAMAU MINES LTD.

(No Personal Liability)

DIRECTORS

FRANK H. BLAIR, New York, N.Y.
JACK N. BLINKOFF, New York, N.Y.
EVERETT CALLENDER, New York, N.Y.
CHARLES W. CLARK, Toronto, Ont.
ROLAND D. CRANDALL, New York, N.Y.
WALTER M. MARTIN, Q.C., Toronto, Ont.
CHARLES L. McALPINE, Toronto, Ont.
JOHN G. PORTEOUS, Q.C., Montreal, Que.
ROBERT M. REININGER, New York, N.Y.

OFFICERS

CHARLES W. CLARK, President & Chief Executive Officer
JACK N. BLINKOFF, Chairman of the Board
JOHN G. PORTEOUS, Q.C.
Vice-President & General Counsel
CHARLES L. McALPINE, Vice-President & Secretary
ALEX SAMSON, Treasurer & Asst. Secretary
ROBERT R. TOPP, Asst. Treasurer

GENERAL MANAGER — MINES

K. C. WILSON, Chibougamau, Que.

CONSULTING GEOLOGIST

S. E. MALOUF, Toronto, Ont.

REGISTRAR AND TRANSFER AGENT

MONTREAL TRUST COMPANY, Toronto, Ont.

TRANSFER AGENT

THE TRUST COMPANY OF NEW JERSEY, Jersey City, N.J.

AUDITORS

ARTHUR YOUNG, CLARKSON, GORDON & CO., Toronto, Ont.

EXECUTIVE OFFICE

55 Yonge Street, Toronto, Ont.

HEAD OFFICE AND MINE OFFICE

Chibougamau, Que.

DIRECTORS' REPORT

Your Directors take pleasure in presenting the Annual Report of your Company for the fiscal year ended June 30, 1966 — a year marked by a major increase in net profit, coupled with the acceleration of extensive development programmes necessary to ready the ore reserves for production.

FINANCIAL REVIEW

Elsewhere in this report are included the audited balance sheet, statements of income and retained earnings and source and application of funds, for the fiscal year.

The following tabulation gives a comparison with the previous fiscal year:

	1966	1965	% Increase
Metal Sales (copper and precious metals)	\$13,802,959	\$11,546,983	19%
Average copper price per lb.	41.4019¢	34.1551¢	21%
Operating profit before interest, write-offs and mining duties	\$ 4,678,240	\$ 3,276,352	43%
Per share	\$1.06	\$0.74	43%
Net profit after write-offs	\$ 2,690,324	\$ 1,468,007	83%
Per share	60.7¢	33.1¢	83%

The increase in net profit after write-offs in 1966 over the previous fiscal year resulted from the receipt of a higher copper price and the sale of more pounds of copper. Operating costs were greater, reflecting higher labour costs and supplies and a larger amount of stope preparation written off, but profits were greater.

Write-offs of preproduction and deferred development expenditures, and depreciation were higher by \$342,000 than in 1965. The increase in the former reflects a 20% increase

to \$1.20 per ton decided by your Board after a review of the expenditures having regard to current labour and construction costs. Owing to the heavy construction programme, a larger charge for depreciation was made. Your attention is drawn to the statement of source and application of funds, which shows, however, after a very large increase in capital costs, including development and construction, a modest addition to working capital.

The Company realized a profit of \$145,919 from sale of its common shares of Northern

DIRECTORS' REPORT continued

Telephone Limited to The Bell Telephone Company of Canada, following the latter's offer to purchase all the common shares of the former.

No provision has been made for taxes under the Income Tax Act (Canada), in the light of accumulated preproduction expense and depreciation allowances available to the Company.

OPERATIONS

Tonnage milled at 964,072 tons was the largest in the history of the Company, an increase of 3% over the previous year.

Development continues to be necessary in the Company's activities, with two major shaft sinking programmes underway at the end of the fiscal year.

Successful implementation of open-stope mining techniques, which place emphasis on greater productivity per man-shift, has allowed the extraction of lower-grade ore at Cedar Bay and the Main Mine which has been profitable at the prevailing copper prices.

The trend to open-stope mining has been accented at the Main Mine and Cedar Bay. This has offset a decrease in cut and fill stoping at each of these mines and productivity has been maintained. It has also lead to the development of several new areas at these mines, and thus has added, and will add, materially to the life of the operations. Mining

to date at the Henderson and Cedar Bay Mines has been at relatively shallow horizons.

The increases, outlined in the Financial Review, were achieved despite a shortage of skilled labour. Steps were taken to improve the situation, and will continue. School stopes were initiated to train underground workers, and an industrial engineering department was set up to ensure improvements in efficiency. In an endeavour to secure and retain competent and stable employees, small low-interest housing loans have been made available to eligible personnel.

In keeping with its policy of increased productivity per man-shift and to combat increased costs, the Company has embarked on a study of a potential open-pit orebody in Chibougamau.

HENDERSON

Production from the Henderson Mine amounted to 380,193 tons, a 7% increase over the previous year. Grade of copper ore milled increased slightly from 2.07% in 1965 to 2.13% in 1966.

Activity at the Henderson Mine centred on shaft sinking at the Henderson "B" zone. A 185-foot high steel headframe was erected during the year. A friction hoist continues the shaft sinking programme, presently at the 1710 horizon, while development has commenced on four new levels serviced by the underground hoist on the 275 level. Ore and waste pass systems are almost completed between the new

levels to handle development rock and a loading pocket has been installed at the 1220 horizon.

Depth development at this Mine, involving ten new levels in a vertical range of 1,700 feet, has been planned in a manner to facilitate production.

MAIN MINE

Tonnage extracted during the year rose 5% from 322,072 tons in 1965 to 337,855 tons in 1966.

Some lateral exploration continued in the year disclosing several promising new stoping areas. Further lateral exploration will continue in the upper workings and the Winze area of the Mine throughout the current year.

CEDAR BAY

The Cedar Bay Mine produced 228,155 tons during the year, 12,084 tons more than in the 1965 year.

Shaft deepening below the 1400 level commenced in February 1966 with the 1250 level as the bottom operating level. Present plans schedule the completion of the shaft to 2400 feet by the end of October. On completion, the deepening will provide six new production levels. Drilling in conjunction with the shaft sinking programme has disclosed some excellent intersections confirming the downward extension of known orebodies. One hole, 1,300 feet east of the shaft, obtained 15.6 feet, grading 4.54% copper and 0.047 ounces in

gold at the 1400 level. A second hole, below this intersection, returned 52.9 feet, grading 2.70% copper and 0.068 ounces in gold at the 1545 horizon. Some 100 feet further to the east, another hole obtained 37.8 feet of 2.69% copper and 0.052 ounces in gold at the 1400 level. Fifty feet below this hole, 42.8 feet of 3.78% copper and 0.105 ounces in gold resulted.

KOKKO CREEK

17,869 tons of ore were contributed by this Mine, now on a salvage basis, with some 7,500 tons to be extracted during the current year.

EXPLORATION

Ore reserves have been maintained by exploration within the immediate mine workings despite the record tonnage milled during the year. The same cut-offs have been used in determining the ore reserves as in previous years, as a matter of company policy. The trend to open-stope mining should result in additional tonnages not previously considered as ore in the reserves.

Exploration external to the mine areas has been highly gratifying. Results on last winter's drilling from the ice on Lake Chibougamau were reported to shareholders in March and July of this year. These indicate two new orebodies, neither of which have been included in the ore reserves. As noted in the July report, our Consulting Geologist has advised that drilling to date is sufficiently encouraging

DIRECTORS' REPORT continued

to warrant underground development of both drill locations.

IRON ORE PROJECT

During the year, a wholly-owned subsidiary, Chibiron Mining Corporation, was formed to take over development of the Company's Magnetite Bay holdings on Lake Chibougamau and other claims staked during the year in the Lake Albanel region, some ninety miles to the north-east of the Town of Chibougamau. The two groups together total 481 claims or some 19,000 acres. The 41,460 feet of drilling completed to date on the Magnetite Bay deposit has given excellent confirmation of the potential 500 million tons of readily concentratable iron ore expected in this area. Drilling to date on the Albanel holdings has been preliminary only, 2,700 feet, but incorporating these results with earlier work has indicated that the additional 500 million tons anticipated in this area will be exceeded.

Much work on the ore in the fields of mill testing, pelletizing and open-pit operation was undertaken to establish the feasibility of a marketable product. The marketing potential for iron ore pellet production is being actively explored.

GENERAL

The higher copper price received during the year has had several very significant short-term advantages. It was expected that the development necessary to bring the lower levels of Cedar Bay and of the Henderson Mine into

production would result in a substantial decrease in working capital. It is pleasing to report that with the addition to working capital, notwithstanding the \$4,260,000 of capital expenditures incurred in the major development and construction programmes, the Company has been able to retain, in short-term investments, the greater portion of the \$6,500,000 (U.S.) obtained from the sale of our 6% First Mortgage Bonds, effected to provide funds for, amongst other purposes, accelerated development of the ore reserves of the Company.

With the development of the ore reserves in the "B" zone of the Henderson Mine, as well as the higher-grade material in the lower levels at Cedar Bay, the Company anticipates milling a higher overall grade of copper ore in the current and succeeding fiscal years.

It is our belief, therefore, that the conclusion of the present development programmes and the maintenance of a stable copper price will result in production and earnings which will be most rewarding to our shareholders.

Your Directors are pleased to express their sincere thanks to the Management, Staff and Employees, for their determined effort and loyal services throughout the year.

On behalf of the Board of Directors,

CHARLES W. CLARK,
President.

September 26, 1966.

CAMPBELL CHIBOUGAMAU MINES LTD.

(No Personal Liability)

REPORT OF CONSULTING GEOLOGIST

ORE RESERVES:

The following summary of ore reserves is presented as of June 30, 1966 (with comparative figures for the previous year)

		JUNE 30, 1966			JUNE 30, 1965		
		Tons	% Cu	Au Oz/Ton	Tons	% Cu	Au Oz/Ton
Proven	Henderson	1,793,293	2.45	.061	1,873,331	2.40	.063
	Cedar Bay	532,512	2.50	.073	551,351	2.29	.076
	Main Mine "A"	249,298	2.06	.030	444,615	1.95	.029
	Main Mine "B"	281,181	1.74	.028	299,671	1.65	.024
	Main Mine Total	530,479	1.89	.029	744,286	1.83	.027
	Kokko Creek	9,975	2.24	.010	24,441	1.84	.014
Total Proven		<u>2,866,259</u>	<u>2.35</u>	<u>.057</u>	<u>3,193,409</u>	<u>2.24</u>	<u>.056</u>
Probable	Henderson	5,906,858	2.22	.055	5,506,413	2.23	.063
	Cedar Bay	133,647	2.68	.061	174,140	2.01	.063
	Main Mine "A"	27,510	2.30	.031	10,854	2.27	.243
	Main Mine "B"	116,072	1.72	.068	131,355	1.62	.058
	Main Mine Total	143,582	1.83	.061	142,209	1.67	.072
	Kokko Creek	1,008	3.37	.028	1,008	3.37	.028
Total Probable		<u>6,185,095</u>	<u>2.22</u>	<u>.055</u>	<u>5,823,770</u>	<u>2.21</u>	<u>.063</u>
* TOTAL PROVEN AND PROBABLE		<u>9,051,354</u>	<u>2.26</u>	<u>.056</u>	<u>9,017,179</u>	<u>2.22</u>	<u>.061</u>

Not included in the reserves are 772,649 tons of known ore, grading 2.53% copper, .088 ounces in gold, contained in surface pillars, as the amount extractable is difficult to estimate at this time. Of this total, 98.4% is at the Henderson Mine.

* The ore reserve tabulation is based on a 1% copper equivalent cut-off for the Main and Kokko Creek Mines and 1.5% for Cedar Bay and Henderson Mines with moderate exceptions where detailed drilling above existing workings warrants 1% cut-off. An additional 3,051,968 tons grading 0.91% copper and .016 ounces in gold, on a 1% copper equivalent cut-off, occur below the existing workings at the Henderson Mine. Excluded from the reserves at the Main Mine are 150,825 tons grading 0.94% copper and .007 ounces in gold awaiting studies on their feasibility as open-stope material.

Submitted by,

S. E. MALOUF,
Consulting Geologist.

September 26, 1966.

CAMPBELL CHIBOU

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BALANCE SHE

(stated in Canadian dollars)

ASSETS

	1966	1965
Current assets		
Cash	\$ 27,563	\$ 149,062
Short-term deposits at cost which approximates market value ...	4,622,425	5,140,150
Marketable securities, at cost (market value \$104,459 in 1965)	—	92
Accounts receivable—		
Metal settlements	\$ 1,335,236	
Others	539,781	1,284,241
Concentrates at smelter and in transit, valued on the basis of production cost (estimated realizable value \$5,034,000 in 1966; \$3,776,000 in 1965)	2,875,148	2,441,009
Mine and mill stores, at the lower of cost or replacement cost ..	881,330	699,994
Prepaid expenses	111,983	92,012
Total current assets	10,393,466	9,806,560
Investment in associated companies, at cost (note 1)	1,390,335	1,352,752
Property, plant and equipment, at cost:		
Mine buildings, mill and staff dwellings	5,212,929	4,458,826
Machinery, equipment and office furniture	6,848,947	6,191,244
Lots and housing	1,186,779	1,186,779
	13,248,655	11,836,849
Less depreciation accumulated to date	6,211,871	5,554,374
	7,036,784	6,282,475
Mining properties (note 2)	5,344,006	5,340,006
	12,380,790	11,622,481
Deferred expenses:		
Stope preparation costs, less amounts written off (note 3)	1,029,123	1,159,314
Preproduction and deferred development expenses, less amount written off to date (note 4)	13,588,000	11,953,398
Prospecting and exploration on outside properties, at cost less amounts written off in respect of abandoned properties	547,556	205,572
Unamortized portion of bond issue expense	116,693	132,773
	15,281,372	13,451,057
	<u>\$39,445,963</u>	<u>\$36,232,850</u>

See accompanying

AUD

To the Shareholders of
Campbell Chibougamau Mines Ltd. (No Personal Liability):

We have examined the balance sheet of Campbell Chibougamau Mines Ltd. (No P application of funds for the year ended on that date and have obtained all the information auditing standards and accordingly included such tests of accounting records and such

In our opinion, and according to the best of our information and the explanation of income and retained earnings and source and application of funds are properly drawn 1966 and the results of its operations and the source and application of its funds f a basis consistent with that of the preceding year.

Toronto, Canada,
September 26, 1966.

AMAU MINES LTD.

ability)

Mining Companies' Act)

JUNE 30, 1966

comparative figures for 1965)

LIABILITIES

Current liabilities:

	1966	1965
Accounts payable and accrued liabilities	\$ 2,267,440	\$ 1,691,186
Long-term debt instalments due within one year	51,264	48,913
Total current liabilities	<u>2,318,704</u>	<u>1,740,099</u>

Long-term debt:

6% First Mortgage Bonds due October 1, 1973 — Authorized and issued \$6,500,000 U.S. (current Canadian dollar equivalent \$6,993,594) (note 5)	6,989,219	6,989,219
4¾% secured housing loans repayable by instalments over periods of 4 to 6 years	\$ 274,467	
Less instalments due within one year	<u>51,264</u>	<u>279,019</u>
	<u>7,212,422</u>	<u>7,268,238</u>

Shareholders' equity:

Capital stock —		
Common shares of \$1 par value:		
Authorized — 5,000,000 shares	<u>\$5,000,000</u>	
Issued and outstanding — 4,431,517 shares	4,431,517	4,431,517
Premium on shares (net)	<u>8,318,855</u>	<u>8,318,855</u>
	12,750,372	12,750,372
Retained earnings (note 5)	<u>17,164,465</u>	<u>14,474,141</u>
	<u>29,914,837</u>	<u>27,224,513</u>

On behalf of the Board:

C. W. CLARK, Director.

JOHN G. PORTEOUS, Director.

<u>\$39,445,963</u>	<u>\$36,232,850</u>
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financial statements.

PORT

ity) as at June 30, 1966 and the statements of income and retained earnings and source and nations we have required. Our examination was made in accordance with generally accepted ng procedures as we considered necessary in the circumstances.

and as shown by the books of the Company, the accompanying balance sheet and statements to exhibit a true and correct view of the state of the affairs of the Company at June 30, ended on that date, in conformity with generally accepted accounting principles applied on

ARTHUR YOUNG, CLARKSON, GORDON & CO.,
Chartered Accountants.

CAMPBELL CHIBOUGAMAU MINES LTD.

(No Personal Liability)

STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended June 30, 1966

(stated in Canadian dollars with comparative figures for 1965)

Income:	1966	1965
Metal sales	\$13,802,959	\$11,546,983
Operating expenses:		
Inventory of metals, beginning of year	\$ 2,441,009	2,123,071
Mining and milling	7,112,793	6,167,669
Freight, smelting and refining	2,230,810	2,198,827
General administration	215,255	222,073
	11,999,867	10,711,640
Less inventory of metals, end of year	2,875,148	2,441,009
	9,124,719	8,270,631
Operating profit before interest, write-offs and mining duties ..	4,678,240	3,276,352
Deduct:		
Interest expense (net of interest earned), including interest on long-term debt of \$433,745 in 1966; \$302,592 in 1965	145,888	161,813
Provision for depreciation (note 7)	685,747	563,618
Preproduction and deferred development expenses written off (note 4)	1,156,886	936,571
Loss on disposal of fixed assets	24,605	64,273
Amortization of bond issue expenses	16,080	12,070
Provision for mining duties	77,000	70,000
Exploration expenditure written off	27,629	—
	2,133,835	
Less profit on sale of marketable securities	145,919	
	1,987,916	1,808,345
Net profit for the year (note 8)	2,690,324	1,468,007
Retained earnings at beginning of year	14,474,141	13,006,134
Retained earnings at end of year	\$17,164,465	\$14,474,141

See accompanying notes to financial statements.

CAMPBELL CHIBOUGAMAU MINES LTD.

(No Personal Liability)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended June 30, 1966

(stated in Canadian dollars with comparative figures for 1965)

Funds provided:	1966	1965
Operating results —		
Net profit for the year	\$ 2,690,324	\$ 1,468,007
Add charges against operations which in themselves did not require a cash outlay during the year:		
Stope preparation costs written off	1,315,804	1,028,304
Depreciation	685,747	563,618
Preproduction and deferred development expenses written off	1,156,886	936,571
Loss on disposal of fixed assets	24,605	64,273
Amortization of bond issue expenses	16,080	12,070
Exploration expenditure written off	27,629	—
Total funds provided from operations	5,917,075	4,072,843
Proceeds from issue of 6% First Mortgage Bonds (\$6,500,000 U.S.)	—	6,989,219
Sale of mining claims	25,000	—
	<u>5,942,075</u>	<u>11,062,062</u>
Funds applied:		
Preproduction and deferred development expenses	2,791,488	1,611,696
Additions to property, plant and equipment (net)	1,468,661	338,824
Stope preparation	1,185,613	1,163,881
Prospecting and outside exploration	394,613	65,677
Repayment of housing loans	55,816	53,256
Increased investment in associated companies	37,583	14,543
Repayment of long-term bank loan	—	1,200,000
Bond issue expenses	—	144,843
	<u>5,933,774</u>	<u>4,592,720</u>
Excess of funds provided over funds applied	8,301	6,469,342
Working capital at beginning of year	<u>8,066,461</u>	<u>1,597,119</u>
Working capital at end of year	<u>\$ 8,074,762</u>	<u>\$ 8,066,461</u>

CAMPBELL CHIBOUGAMAU MINES LTD.

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS

June 30, 1966

1. Investment in associated companies

The investment in associated companies is comprised of the following:

(a) Chibougamau Mining & Smelting Co. Inc. (No Personal Liability) —

	1966	1965
Number of shares	<u>802,083</u>	<u>750,000</u>
Cost	<u>\$ 996,505</u>	<u>\$ 971,505</u>
Equity based on audited financial statements as at June 30	<u>\$ 355,100</u>	<u>\$ 336,500</u>
Market value based on bid price as at June 30	<u>\$ 425,100</u>	<u>\$ 322,500</u>

These shares are listed on the Toronto Stock Exchange. The equity referred to above is represented mainly by marketable securities, mining claims and deferred expenses at cost less amounts written off, which does not necessarily represent the present value of these assets. Chibougamau Mining & Smelting Co. Inc. also has a royalty interest in certain promising undeveloped mining claims. The claims, in which the company has a direct or royalty interest, are located for the most part in the Chibougamau area of Quebec.

(b) Cia Minera Transrio, S.A. de C.V. —

37,500 shares and advances —

Cost:	1966	1965
Shares	\$ 65,000	\$ 65,000
Advances	328,830	316,247
	<u>\$ 393,830</u>	<u>\$ 381,247</u>

	1966	1965
Equity based on unaudited financial statements (including advances)	<u>\$ 393,830</u>	<u>\$ 381,247</u>

Market value unlisted

Cia Minera Transrio S.A. de C.V. is a company possessing ore reserves in Mexico and has been inactive since 1957. One-half of its standby expenses are being paid by the Company. Repairs to the mine shaft and area roads have now been completed with a view to undertaking an extensive examination of the lower levels of the mine.

Under Mexican law, in order to obtain certain government concessions, it is required that all companies must be 51% owned by Mexican nationals, or 51% of the shares must be deposited available for sale in a Mexican bank. Steps are being taken to comply with Mexican law.

2. Mining properties

As in previous years, no provision has been made against operating income for depletion of mining properties which are recorded at cost.

3. Stope preparation costs, less amounts written off

As stope preparation costs are considered by the Company to be properly allocable against tonnages of ore in related ore bodies, the Company follows the practice of deferring such costs and writing them off to mining and milling expenses as the ore is extracted. \$1,315,804 was written off during the year ended June 30, 1966 (\$1,028,304 in the 1965 year) and included with mining and milling expenses.

4. Preproduction and deferred development expenses, less amounts written off to date

Preproduction and deferred development expenses have been written off at the rate of \$1.20 per ton milled during the year ended June 30, 1966 (\$1 per ton in the 1965 year). The rate per ton has been computed by dividing the proven and probable ore reserves plus the additional reserves which the management assumes will be developed by future operations into the aggregate of the unamortized preproduction and deferred development expenses at the beginning of the year. Although the management believes this rate to be adequate, it does depend, in part, upon the development of additional ore reserves.

5. Funded debt

The First Mortgage Bonds, issued during the year ended June 30, 1965, are entitled to an annual sinking fund of \$1,000,000 (U.S.) in the years 1968 to 1971 inclusive and \$1,250,000 (U.S.) in the years 1972 and 1973, as well as an additional amount in each such year based on the excess of cash flow, as defined, over amounts varying from \$3,100,000 to \$3,900,000.

The trust deed providing for the issue of the Company's bonds contains certain restrictions regarding the amount that may be paid as dividends. At June 30, 1966 retained earnings in the amount of \$1,575,000 were free from limitation under the more stringent of these conditions.

6. Contingent liabilities and commitments

The Company is the Defendant in two actions taken in the Superior Court for the district of Roberval, Quebec, by Merrill Island Mining Corporation Limited, in which Merrill claims:

- (1) \$1,571,683 plus interest from June 30, 1961, and costs, which amount is in addition to the share of profits for the years ended June 30, 1960 already paid to Merrill under the terms of the 1952 Emphyteutic Lease.

Of this amount claimed, the Company admitted that \$63,911 was owing to Merrill, of which \$60,102 has been paid and the balance of \$3,809 is reflected in the balance sheet of the Company at June 30, 1966. The Company disputes the balance of the claim and, in the opinion of its Counsel, such claim is unfounded in fact and in law.

- (2) \$1,353,950 plus interest and costs, being Merrill's alleged share of the profits for the four years ended June 30, 1964 under the terms of the same lease.

The Company disputes this claim and, in the opinion of its Counsel, such claim is unfounded in fact and in law.

The Company has funded pension plans for both salaried and hourly paid employees. The present liability for the unfunded past service costs of these plans at June 30, 1966 was approximately \$159,000 and this will be funded and charged to income over the next five years. The amount of \$159,000 is not recorded in the books of account, and, therefore, is not reflected in the balance sheet at June 30, 1966.

7. Depreciation

Depreciation in respect of all major items of buildings and equipment has been calculated at the rate of 6% on the depreciated cost at June 30, 1958 and on the cost of subsequent additions.

8. Income taxes

No income taxes are payable on the net profit for the year because preproduction and deferred development expenses and depreciation allowances, in excess of amounts charged against income, can be claimed for tax purposes during the year. To June 30, 1966 accumulated amounts claimed in total for tax purposes have not exceeded the comparable amounts charged against income in the Company's accounts.

CAMPBELL CHIBOUGAMAU MINES LTD.

(No Personal Liability)

GENERAL MANAGER — MINES' REPORT

The following is a report of the operations of Campbell Chibougamau Mines Ltd. (N.P.L.) for the fiscal year ended June 30, 1966.

MILLING

Ore processed by the concentrator during the year increased to 964,072 tons: the mill-heads decreased but there was an overall increase in metal recovery.

The following statistical data are reconciled to smelter returns:

	1965-66	1964-65	
Tonnage Milled	964,072	936,571	
Tons of Concentrate shipped	70,535.8	71,245.1	
Copper shipped — lbs.	31,836,865	32,579,356	
Gold shipped — ozs.	29,509.95	32,556.62	
Silver shipped — ozs.	198,572.95	210,475.45	
Milling Rate — Average Tons/Month	80,339	78,048	
	Copper %	Gold Ozs. per Ton	Silver Ozs. per Ton
Mill Heads	1.75	0.037	0.263
Concentrate	22.57	0.418	2.82
Recovery — percent	94.61	82.45	78.40

MINING

The sources of the ore milled, its tenor and the quantity of metal sold, is recorded by Divisions, in the following tables:

PRODUCTION SOURCES

	Tons Milled		Percentage		Grade			
					Copper		Gold	
	1965-66	1964-65	1965-66	1964-65	1965-66	1964-65	1965-66	1964-65
Main Mine:								
Main Shaft ...	192,064	138,535	19.9	14.8	1.18	1.13	0.019	0.02
Winze	145,791	183,537	15.1	19.6	1.65	1.98	0.029	0.03
Kokko Creek	17,869	43,338	1.9	4.6	0.97	1.63	0.006	0.01
Cedar Bay	228,155	216,071	23.7	23.1	1.69	1.85	0.045	0.05
Henderson	380,193	355,090	39.4	37.9	2.13	2.07	0.046	0.06
TOTAL	964,072	936,571	100.0	100.0	1.75	1.84	0.037	0.04

COMPARATIVE SOURCES OF MINE PRODUCTION (in Percent)

	Main Mine Main Shaft		Main Mine Winze		Kokko Creek		Cedar Bay		Henderson	
	65-66	64-65	65-66	64-65	65-66	64-65	65-66	64-65	65-66	64-65
Development	3.9	3.1	1.2	—	—	0.6	4.1	4.5	6.6	7.7
Horizontal cut and fill stopes ...	11.0	29.7	98.8	100.0	—	—	13.9	19.6	77.6	79.0
Mechanized cut and fill Stopes ...	—	—	—	—	—	—	—	—	14.4	13.1
Shrinkage ...	4.7	1.2	—	—	—	—	46.7	49.4	1.4	0.2
Pillar	6.3	3.4	—	—	—	—	—	—	—	—
Sub-Level ...	74.1	62.6	—	—	100.0	99.4	35.3	26.5	—	—
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

RETURNABLE PRODUCTION PERCENTAGES

Division	Copper — Lbs.	%	Gold — Ozs.	%	Silver — Ozs.	%
Main Mine "A"	5,176,203	17.0	4,136.437	15.0	23,075.38	18.0
Main Mine "B"	3,278,335	10.8	1,973.741	7.1	30,465.82	23.8
Kokko Creek	312,181	1.0	77.603	0.3	6,073.52	4.7
Cedar Bay	6,992,372	23.0	7,861.795	28.4	32,640.60	25.5
Henderson	14,667,049	48.2	13,577.537	49.2	35,781.84	28.0
TOTAL	30,426,140	100.0	27,627.113	100.0	128,037.16	100.0

MAIN MINE DIVISION

The ore production rate was maintained but the grade was lower, as anticipated, through the extraction of lower-grade material using the open-stope mining technique. Exploration located several promising new stoping areas.

KOKKO CREEK DIVISION

The known ore-bodies were exhausted during the year; a negligible amount of clean-up will be completed in 1966.

CEDAR BAY DIVISION

The mining rate was maintained by extracting an increased tonnage of ore from the lower-grade blocks of ore remaining in the upper levels.

The shaft-deepening programme to develop ore at depth began during February 1966 and, at June 30, 1966, the shaft was at a depth of 2,033 feet. The shaft will bottom at

GENERAL MANAGER—MINES' REPORT continued

2,400 feet and six new production levels will be provided. The first — or 1,400 level — is partially developed, and diamond drilling has satisfactorily confirmed the downward extension of the ore bodies with copper of much better grade than is presently being extracted.

HENDERSON DIVISION

Metal production was greater during the year because of the continuing increase in the rate of extraction from the "B" zone. Mining in the "A" zone was routine.

The deepening of the No. 2 Shaft continued; at the year-end the bottom had reached a depth of 1,691 feet and facilities were ready to begin development on four new levels. Simultaneously with this level development, the shaft will be deepened to a depth of 2,400 feet and, when ancillary services are completed, the development of an additional six levels will begin.

A headframe and hoisting facilities with a capacity of 75,000 tons per month from a depth of 4,000 feet have been provided.

GENERAL

The average number of employees increased from 695 to 775, due to the increased work-load caused by heavy exploration, development and construction programmes. In addition, the Company's training programme has been expanded and an industrial engineering department established. There is a serious shortage of tradesmen and miners, and the high turnover rate — particularly of the underground crew — persists.

Further statistical data are provided in the following tables:

UNDERGROUND DEVELOPMENT (Feet)

	Main Mine Main Shaft	Winze	Cedar Bay	Henderson Main Shaft	#2 Shaft
Ore and Waste Pass Raises	46.4	—	151.3	—	950.8
Hydraulic Backfill System	—	—	—	140.9	—
Drifts and Cross-cuts	3,941.1	498.5	5,932.2	9,557.8	738.0
Raises	207.2	47.5	—	714.2	88.0
Stations, Switchroom	—	—	11.8	—	57.4
Sumps	—	—	27.2	—	116.9
Loading Pocket	—	—	—	—	18.8
TOTAL LATERAL DEVELOPMENT	4,194.7	546.0	6,122.5	10,412.9	1,969.9
Sinking	—	—	535.0	—	787.0
Stations (in Shaft Equiv.)	—	—	391.5	—	367.1

DIAMOND DRILLING FOOTAGE

	Main Mine & Winze		Kokko Creek		Cedar Bay		Henderson		Total	
	65-66	64-65	65-66	64-65	65-66	64-65	65-66	64-65	65-66	64-65
Underground										
Stope outline	8,207	10,086	—	—	23,634	20,131	31,613	14,657	63,454	44,874
Grouting	—	—	—	—	808	—	1,087	305	1,895	305
Exploration	20,543	2,503	—	—	6,413	10,149	8,462	5,575	35,418	18,227
Sub-Total	28,750	12,589	—	—	30,855	30,280	41,162	20,537	100,767	63,406
Surface	—	—	—	869	2,740	1,882	3,926	3,143	6,666	5,894
	<u>28,750</u>	<u>12,589</u>	<u>—</u>	<u>869</u>	<u>33,595</u>	<u>32,162</u>	<u>45,088</u>	<u>23,680</u>	<u>107,433</u>	<u>69,300</u>
Outside Exploration										
Magnetite Bay									34,127	2,568
Group S									9,025	7,563
Group T									6,379	—
TOTAL									<u>156,964</u>	<u>79,431</u>

OPERATING EFFICIENCIES — TONS BROKEN PER MAN-SHIFT

Stope Preparation and Stoping	Main Mine				Cedar Bay		Henderson	
	Main Shaft		Winze		65-66	64-65	65-66	64-65
	65-66	64-65	65-66	64-65				
Horizontal Cut and Fill Stopping	8.7	15.6	10.1	10.2	5.7	8.5	12.4	12.8
Mechanized Cut and Fill Stopping	—	—	—	—	—	—	18.9	20.1
Shrinkage Stopping	13.2	5.5	—	—	10.6	15.6	6.1	16.0
Pillar Stopping	14.0	5.2	—	—	—	—	—	—
Sub-Level Stopping	33.4	19.5	—	—	16.7	14.3	—	—
AVERAGE	21.2	16.6	10.1	10.2	10.9	13.2	12.5	13.4

STOPPING EFFICIENCY

ALL DIVISIONS 1965-66 12.8 Tons broken per Man-Shift *

Man-Shifts in Sub-Level Stopes include only tramming, scraping, cleaning, etc. by Company.

* Stope Preparation and Long Holes Drilling done by Contractors.

SUMMARY OF CAPITAL EXPENDITURES

Year ended June 30, 1966

MAIN MINE DIVISION

Deferred Development	\$ 387,995
New Construction	22,027
Surface Equipment	28,421
Underground Equipment	40,687
TOTAL	<u>\$ 479,130</u>

GENERAL MANAGER—MINES' REPORT continued

CEDAR BAY DIVISION

Deferred Development	\$ 843,773	
Surface Equipment	1,708	
Underground Equipment	28,251	
	<hr/>	
TOTAL		\$ 873,732

HENDERSON DIVISION

Deferred Development	1,559,720	
New Construction	765,814	
Surface Equipment	405,097	
Underground Equipment	152,817	
	<hr/>	
TOTAL		2,883,448
		<hr/>
GRAND TOTAL		<u>\$4,236,310</u>

APPRECIATION

I wish to acknowledge with appreciation the support and guidance of the Executive Office, and the able and loyal assistance of the Operating Staff throughout the year.

Respectfully submitted,

K. C. WILSON,
General Manager — Mines

August 10, 1966.

